



**Auditor of State  
Betty Montgomery**



**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Net Assets .....	3
Statement of Revenues, Expenses and Changes in Net Assets.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Southeastern Ohio Port Authority  
Washington County  
200 Putnam Street, Room 504  
Marietta, Ohio 45750

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Port Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Ohio Port Authority, Washington County, and of the business-type activities, as of December 31, 2005, and the respective changes in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2006, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of the internal control over financial reporting and compliance, and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read in conjunction with this report in considering the results of our audit.

The Port Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 2, 2006

**Southeastern Ohio Port Authority**  
**Statement of Net Assets**  
**December 31, 2005**

**Assets**

Equity in Pooled Cash and Cash Equivalents	\$114,921
Loan Receivable	<u>47,331</u>

*Total Assets* 162,252

**Liabilities**

Current Liabilities:

Current Portion of Loan Payable	<u>1,779</u>
---------------------------------	--------------

*Total Current Liabilities* 1,779

Long-Term Liabilities (Net of Current Portion):

Loan Payable	<u>45,261</u>
--------------	---------------

*Total Long-Term Liabilities* 45,261

*Total Liabilities* 47,040

**Net Assets**

Unrestricted	<u>115,212</u>
--------------	----------------

*Total Net Assets* \$115,212

See accompanying notes to the basic financial statements

**Southeastern Ohio Port Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended December 31, 2005**

<b>Operating Revenues</b>	
Donations	\$60,950
Miscellaneous	13,438
	<hr/>
<i>Total Operating Revenues</i>	74,388
	<hr/>
<b>Operating Expenses</b>	
Personal Services	2,631
Contractual Services	30,574
Other	1,618
	<hr/>
<i>Total Operating Expenses</i>	34,823
	<hr/>
<i>Operating Gain</i>	39,565
<b>Non-Operating Revenue/(Expense):</b>	
Interest Income	1,931
Interest and Fiscal Charges	(1,442)
	<hr/>
<i>Change in Net Assets</i>	40,054
<i>Net Assets Beginning of Year</i>	75,158
	<hr/>
<i>Net Assets End of Year</i>	\$115,212
	<hr/> <hr/>

See accompanying notes to the basic financial statements



**Southeastern Ohio Port Authority  
Statement of Cash Flows  
For the Year Ended December 31, 2005**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Donors	\$60,950
Cash Payments for Employee Services and Benefits	(2,631)
Cash Payments for Goods and Services	(41,302)
Other Operating Expenses	(1,618)
Other Operating Revenues	13,438
	<hr/>

<i>Net Cash Provided by Operating Activities</i>	<u>28,837</u>
--	---------------

**Cash Flows from Capital and Related Financing Activities**

Principal Paid on Debt	(1,886)
Interest and Fiscal Charges Paid on Debt	(1,442)
	<hr/>

<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(3,328)</u>
---	----------------

**Cash Flows from Investing Activities**

Interest from Business Loan	1,931
Principal from Business Loan	1,705
	<hr/>

<i>Net Cash Provided by Investing Activities</i>	<u>3,636</u>
--	--------------

<i>Net Increase in Cash and Cash Equivalents</i>	29,145
--	--------

<i>Cash and Cash Equivalents Beginning of Year</i>	<u>85,776</u>
--	---------------

<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$114,921</u></u>
--	-------------------------

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating Income	\$39,565
------------------	----------

Changes in Assets and Liabilities:

Decrease in Accounts Payable	(6,878)
Decrease in Customer Deposits	(3,850)
	<hr/>

<i>Net Cash Provided by Operating Activities</i>	<u><u>\$28,837</u></u>
--	------------------------

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Southeastern Ohio, including rendering financials and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Southeastern Ohio and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, ten Directors serve on the Board.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable.

**B. Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14 established standards for determining which entity should be included in the financial reporting entity and for reporting the financial information of those entities. The statement defines the Governmental Financial Reporting Entity as being made up of two parts, units for which the Primary Government is financially accountable and units that must be included to keep the financial statements from being misleading or incomplete because of the nature or significance of their relationship to the Primary Government.

**C. Basis of Presentation**

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. The Port Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities.

The Port Authority's financial statements consist of government-wide statements, including the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus**

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs of its business-type activities.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Revenues - Exchange Transactions:** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

**Expenses:** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**F. Cash**

All cash assets are maintained in a non-interest bearing checking account.

**G. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

At December 31, 2005, the Port Authority did not have any capital assets with a cost of \$5,000 or more.

**H. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, or laws or regulations of other governments. The Port Authority did not have any restricted net assets.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Port Authority, these revenues are from rental revenue. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

**K. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**L. Budgetary Process**

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget. No such budget was prepared by the Port Authority. Consequently, no budgetary comparisons are presented.

**2. CASH**

State statutes classify monies held by the Port Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**2. CASH (Continued)**

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-loan money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the County has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the bank balance of the Port Authority's deposits was \$117,808. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$17,808 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**2. CASH (Continued)**

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**3. LONG-TERM DEBT**

Long-term debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Washington County Loan	\$ 47,040	3.00%
Less: amount due within one year	1,779	
Long-Term debt, net	\$ 45,261	

The Washington County Loan relates to an economic development loan to the Port Authority for \$50,000 in 2004. The Port Authority, in turn, loaned the monies received to a local business. The Port Authority is required to make monthly payments of \$277.30 to Washington County.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Principal	Interest	Total
2006	\$ 1,943	\$ 1,385	\$ 3,328
2007	2,002	1,326	3,328
2008	2,063	1,265	3,328
2009	2,126	1,202	3,328
2010	2,190	1,137	3,327
2010-2024	36,716	7,929	44,645
Total	\$ 47,040	\$ 14,244	\$ 61,284

**4. LOAN RECEIVABLE**

As noted in Note 4, the Port Authority loaned \$50,000 to Kardex for economic development purposes. The loan was granted at 4.00% over a twenty-year period. Monthly payments from Kardex are expected to be \$302. Accordingly, the Port Authority has recorded a loan receivable and interest revenue.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**4. LOAN RECEIVABLE (Continued)**

Future cash flows from the loan receivable are estimated to be as follows:

Year Ending December 31:	Total Payments	Principal Portion	Interest Portion
2006	\$ 3,636	\$ 1,775	\$ 1,861
2007	3,636	1,847	1,789
2008	3,636	1,923	1,713
2009	3,636	2,001	1,635
2010	3,636	2,082	1,554
2011-2024	48,781	37,703	11,078
Total	\$ 66,961	\$ 47,331	\$ 19,630





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Southeastern Ohio Port Authority  
Washington County  
200 Putnam Street, Room 504  
Marietta, Ohio 45750

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated August 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the basic financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Port Authority's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Port Authority's management dated August 2, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Southeastern Ohio Port Authority  
Washington County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*

### **Compliance and Other Matters**

As part of reasonably assuring whether the Port Authority's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Port Authority's management dated August 2, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 2, 2006

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 4582.13 states that the board of directors of a port authority shall annually prepare a budget for the port authority. Ohio Rev. Code Section 5705.38(A) requires that the taxing authority of each subdivision or other taxing unit pass an appropriation measure, and during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. Ohio Rev. Code Section 5705.41(B) restricts a subdivision or taxing authority from expending money unless it has been appropriated.

An annual budget was not prepared by the Board of Directors for 2005 as required by Ohio Rev. Code Section 4582.13. Consequently, the annual appropriations required under Ohio Rev. Code Section 5705.38 were not adopted, and expenses exceeded budgetary authority (appropriations), contrary to Ohio Rev. Code Section 5705.41(B).

We recommend the Board of Directors annually prepare and adopt a budget for the Port Authority. Further, the Board of Directors should review and become familiar with the budgetary requirements identified in Ohio Revised Code Chapter 5705.

**Officials Response:**

Appropriations and budget were passed for 2006.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**SOUTHEASTERN OHIO PORT AUTHORITY**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 19, 2006**